

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  IES UTILITIES INC. and INTERSTATE POWER COMPANY	DOCKET NOS. TF-00-44 TF-00-45
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**ORDER APPROVING TARIFFS AND  
REQUIRING ADDITIONAL INFORMATION**

(Issued June 22, 2000)

On February 28, 2000, IES Utilities Inc. (IES) and Interstate Power Company (Interstate) filed with the Utilities Board (Board) three proposed tariff riders, identified as TF-00-44 and TF-00-45, that would allow IES and Interstate to buy back from participating customers a certain amount of firm commitment in order to avoid purchasing higher cost energy. The riders would be available from May 1, 2000, through December 31, 2000, to customers taking power under IES' and Interstate's large general service price schedule. In their filings, IES and Interstate stated the riders are designed to provide them with additional tools to meet firm electric demand during peak periods.

The Board docketed the proposed tariffs for investigation by order issued March 29, 2000, and required IES and Interstate to file additional information. However, because the Board did not want to delay implementation of tariffs that might help alleviate any energy or capacity shortfalls, the Board also allowed the tariffs to become effective as of the date of the order, subject to immediate suspension, but not subject to refund, except in the context of a general prudence

review of IES' and Interstate's fuel procurement practices. The Board, in its March 29 order, noted the proposed tariffs raised broader questions regarding IES' and Interstate's overall efforts to secure adequate supply to meet this summer's projected power requirements and the rate impacts of purchased power costs flowed through the energy adjustment clause (EAC) in the context of the utilities' expected generation levels and fuel prices.

IES and Interstate emphasize the program is voluntary and that they will request curtailment only when available capacity resources are exhausted. IES and Interstate said the amount of any curtailment payments will flow through the EAC, but that monthly EAC amounts charged to customers will not increase as a result of the riders because any curtailment payments flowing through the EAC will be less than the power costs incurred without the tariffs. In addition, no curtailment payments will flow through the EAC if the curtailment results in avoiding a capacity purchase or reliability council penalty for insufficient capacity.

No objections to the proposed tariff were filed. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) said the riders do not appear unreasonable at this time, but that Consumer Advocate would monitor the tariffs for abuses. The Large Energy Group filed a letter in support of the riders.

After reviewing the additional information supplied by IES and Interstate, the Board will approve the tariff riders, but explicitly reserves its right to examine the costs of the curtailment program in the context of a general prudence review of IES' and Interstate's fuel procurement and contracting practices. While the Board recognizes that these curtailment programs are valuable resource options that

benefit both the utilities and their customers, the Board questions, based on the information submitted to date, whether incentive payments may be higher than necessary to obtain program participation. However, the alternative to the programs, which would be for IES and Interstate to purchase additional power at times when prices are likely to spike, is less attractive to ratepayers.

In order for the Board, and other interested persons, to monitor compliance with the riders' terms and the market conditions that precipitated development of the curtailment program, the Board will require the following information to be filed by IES and Interstate on or before the 20<sup>th</sup> day of each month the riders are in effect, beginning in July 2000:

1. A detailed summary that lists, for each hour of each curtailment event, the kW of firm load curtailed, the number of customers curtailed, the market price(s) used for calculating the incentive payment(s), the actual "day ahead" firm market price for energy in the region, and the dollar amount of incentives paid.
2. The specific circumstances that brought about the request for each curtailment (e.g., forced plant outage, extreme weather, supplier default, etc.).
3. The amount of interruptible load, in total kW, that was being supplied by the company concurrent with the voluntary interruption of firm load customers, and an explanation for why the interruptible customer(s) continued to receive uninterrupted service during a firm curtailment event.
4. Lists of each power purchase and power sale transaction in effect during the time period when firm customers were being curtailed. The list is to include, for each transaction, kW and/or kWh, the applicable energy and/or capacity price, other transaction costs, the transaction period, and the buyer and/or seller's name.

In addition, as part of their monthly EAC filings, IES and Interstate will be required to file a revised version of the detailed summary provided in the monthly

monitoring report, updated to clearly identify the load curtailment incentive payment costs that are flowed through the EAC. Finally, as part of the next ARC or other general prudence review filing required by the Board, IES and Interstate will be required to justify the amount of the incentive payments made.

**IT IS THEREFORE ORDERED:**

1. Tariff filings TF-00-44 and TF-00-45 are approved, subject to an examination of the costs of the curtailment programs in the context of a general prudence review of IES' and Interstate's fuel procurement and contracting practices.
2. IES and Interstate shall file the additional information identified in the body of this order within the time frames set forth in the order.

**UTILITIES BOARD**

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.      /s/ Diane Munns  
Executive Secretary

Dated at Des Moines, Iowa, this 22<sup>nd</sup> day of June, 2000.